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ANNUAL REPORT
OF
MARSHALL FIELD & COMPANY



YEAR ENDED DECEMBER 31, 1950

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MARSHALL FIELD & COMPANY

An Illinois Corporation

Founded in 1852

Incorporated in 1901

General Offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1950

ANNUAL REPORT TO SHAREHOLDERS

General Counsel

WILSON & McILVAINE
CHICAGO

Transfer Agents

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

Public Accountants

ARTHUR ANDERSEN & CO.
CHICAGO

Registrars

THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

BANKERS TRUST COMPANY
NEW YORK

BOARD OF DIRECTORS

ALBERT B. DICK, JR.
MARSHALL FIELD
STANLEY FIELD

CHARLES Y. FREEMAN
HENRY P. ISHAM
HUGHSTON M. McBAIN

JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

GENERAL CORPORATE OFFICERS

Chairman

HUGHSTON M. McBAIN

President

JAMES L. PALMER

Assistant to the Chairman

GERALD A. SIVAGE

Secretary

RALPH E. BOWERS

Assistant Secretary

ARTHUR JACKSON

Comptroller

JOHN D. ANDERSEN

Treasurer

EARL KRIBBEN

Assistant Treasurer

CHARLES M. RHODES

OFFICERS IN THE RETAIL AND FIELDCREST MILLS DIVISIONS

Vice Presidents

HAROLD J. NUTTING

WILLIAM S. STREET

MILTON C. MUMFORD

AUSTIN T. GRAVES

JEAN L. SCHUREMAN

Divisional Vice Presidents

GARRET L. BERGEN

EGIL E. KROGH

DAVID W. DAVIDSON

JOHN McKINLAY, JR.

PAUL M. HAMMAKER

LAWRENCE B. SIZER

HAROLD W. WHITCOMB

T O T H E S H A R E H O L D E R S

The Board of Directors submits this annual report for the year ended December 31, 1950.

Your Company's 1950 net income after Federal income taxes was \$7,572,000 after deducting a provision of \$2,293,000 for the reserve for inventory price decline. In 1949, net income was \$8,658,000 after a credit of \$900,000 from the same reserve. Net income before inventory reserve adjustments was \$9,865,000 in 1950 compared with \$7,758,000 in 1949.

Since 1946 the Company has been following a policy of annually increasing or decreasing its inventory reserve by an amount approximating the effect of price increases or decreases during the year upon its inventory valuations. These adjustments decrease net income in years in which prices advance and increase it in years of declining prices.

Net sales in our retail stores in 1950 were 3% above the 1949 level. Net income before reserve adjustment was \$7,790,000 compared with \$7,183,000 in 1949.

Net sales in our Fieldcrest Mills in 1950 were 36% higher than in 1949. Net income before reserve adjustment was \$2,075,000 compared with \$574,000 in 1949.

Operating results for the Company are summarized in the following table:

	<u>1950</u>	<u>1949</u>	<u>% Change</u>
NET SALES	\$222,899,000	\$207,803,000	7.3%
Wages, salaries and employe benefit costs.....	60,770,000	55,748,000	9.0
Cost of merchandise and miscellaneous expenses	144,927,000	139,542,000	3.9
Federal income taxes.....	7,337,000	4,755,000	54.3
Increase or (decrease) in reserve for inventory price decline	2,293,000	(900,000)	—
NET INCOME	7,572,000	8,658,000	-12.5
NET INCOME PER COMMON SHARE			
After inventory reserve adjustments.....	3.57	4.13	
Before inventory reserve adjustments.....	4.75	3.66	

M A R S H A L L F I E L D & C O M P A N Y

Our net income in the two years was distributed as follows:

	<u>1950</u>	<u>1949</u>
Dividends paid to shareholders.....	\$4,525,000	\$4,525,000
Reinvested in the business.....	3,047,000	4,133,000

The Company's capital expenditures for expansion and for improvement of buildings and equipment totalled \$8,500,000 in 1950 as against \$3,200,000 in the preceding year. Of the former amount, \$3,200,000 represented outlays on the expansion and modernization program of our Frederick & Nelson store in Seattle. We expect this program to be finished practically on schedule in the early autumn of 1951. The store then will be thoroughly modernized, and about 50% larger in floor area than formerly.

The total 1950 capital outlay on our Chicago operations approximated \$4,200,000. Included in this amount is the cost of over 100 acres of land on which our Skokie suburban shopping center, referred to on the following page, will be built. Also included are many improvements in our Main and Suburban stores. Important among these are the construction of an added delivery station on the south side of Chicago, the fixturing of several new areas in our Oak Park store, the air-conditioning of our Evanston store and several additional areas in our Main store, the installation of two new boilers in our Main store and the remodeling of a number of our selling sections.

In 1950 we expended approximately \$1,100,000 on the improvement of our Fieldcrest Mills properties. Practically all of this was for the replacement of obsolete with modern machinery.

We anticipate that the capital expenditures of the Company in 1951 will approximate those of 1950. Expenditures in both years are higher than normal because the full cost of the Frederick & Nelson expansion project falls in these years.

Material shortages and restrictions probably in time will limit our ability to continue to modernize our physical properties. However, many of our most needed improvements have been completed during the past few years, and we believe that on the whole our properties are now in excellent condition.

Our need for cash increased materially during 1950 mainly because of rising prices. Inventories at the end of the year were \$5,600,000 higher than on December 31, 1949. Accounts receivable increased \$4,700,000. The Company met these increased working capital requirements out of earnings and through term bank loans which amounted to \$6,000,000 at the year end.

Our total merchandise on hand and on order on December 31, 1950 was \$49,900,000, or 31% higher than at the end of 1949. This increase is explained entirely by changes in market

M A R S H A L L F I E L D & C O M P A N Y

conditions resulting from the defense program, the impact of which was greater in our Fieldcrest Mills division than in our retail stores. The increase was 22% in our stores but in our Fieldcrest Mills it was much greater, mainly because of the necessity of covering the unusual volume of orders on our books. These were 152% larger than in December, 1949.

At the end of 1949 our reserve against decline in market value of inventories was \$7,200,000. In 1950 we increased it by \$2,293,000, but that part of the reserve which had been appropriated out of surplus prior to 1945, i.e., \$3,493,000, was returned to surplus at the end of 1950. As a net result the reserve at December 31, 1950 was \$6,000,000, all of which has been set aside out of current earnings since 1945.

Payments toward the 1950 cost of our employee Retirement Program were \$2,900,000. The value of assets in our Pension Trust now approximates \$20,500,000.

There were only three major changes affecting management personnel in your Company during the year. Mr. Hector Escobosa, Divisional Vice President, resigned his position in Frederick & Nelson in December to assume the presidency of I. Magnin & Co. of San Francisco. Mr. Egil Krogh, a Divisional Vice President in our Chicago store, was transferred to Seattle to replace Mr. Escobosa. Mr. Luther H. Hodges, General Manager of our Fieldcrest Mills division, resigned on April 1, 1950 to become Chief of the Industry Division of the Economic Cooperation Administration in Germany. Mr. Milton C. Mumford, Vice President with corporate management responsibility for Fieldcrest Mills, assumed the responsibilities of the General Manager following the resignation of Mr. Hodges.

With the enlargement of its Seattle store well under way, the Company announced in August, 1950 another important step in its retail expansion program. We plan to build one of the largest and finest shopping centers in the world in the village of Skokie, a suburban community 16 miles northwest of Chicago. This center will serve the whole north and northwest sections of Metropolitan Chicago, an area whose population approximates 800,000. Plans for the project are moving forward steadily and should be completed within a year. Whether construction can be undertaken at that time obviously depends upon conditions beyond our control.

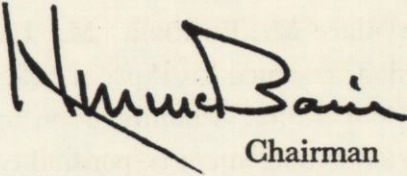
The prospects for your Company in the months immediately ahead appear to be reasonably favorable. In January, 1951 sales and earnings in our retail stores and in Fieldcrest Mills surpassed 1950 levels, due mainly to inflationary trends and the effects of the defense program. Currently, however, price and wage controls, adopted before adequate administrative machinery had been provided by the Government and of limited value in preventing further inflation, are already presenting your Company with problems of unpredictable outcome. Even though our dollar earnings before taxes should continue to increase, which may or may not prove to be the case, this will bring about no real gain to you as shareholders, to your Company or to our

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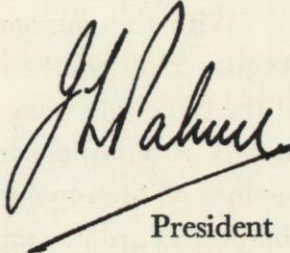
employees, if the dollar continues to depreciate in value. It is difficult to believe that we can avoid an even more serious degree of inflation unless sincere and sound efforts are made to limit the supply of money and credit, to adopt realistic policies of taxation and to eliminate extravagance and wasteful expenditures in Government.

Setting aside for the moment the possibility of war, the future of your Company depends upon its management and personnel, upon the vitality of the American way of life and upon the quality of administration given us by our chosen representatives in Government. Our management staff and employees are competent, experienced and loyal. Such success as your Company has enjoyed in recent years is due in the main to the skill, industry and devotion of these men and women. We have limitless faith in the American way of life and in the enterprise and resourcefulness of the American people. For these reasons we view the future with a confidence which would be greatly enhanced if we could look to Government for a sounder management of its economic affairs and a stricter administration of its responsibilities within the Constitution.

By order of the Board of Directors,


Chairman

March 14, 1951


President

M A R S H A L L F I E L D & C O M P A N Y

THE STORY in BRIEF

	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1941</u>
Net Sales	\$222,900,000	\$207,800,000	\$224,500,000	\$104,800,000
Net Income before Taxes and Reserves.....	17,200,000	12,500,000	19,400,000	10,900,000
Net Income before Reserves.....	9,900,000	7,800,000	12,000,000	5,500,000
Net Income	7,600,000	8,700,000	11,200,000	5,500,000
Dividends Paid	4,500,000	4,500,000	4,500,000	3,400,000
Dividends Paid per Common Share.....	2.00	2.00	2.00	1.30
Current Net Income Retained in the Business..	3,000,000	4,100,000	6,700,000	2,100,000
Cash and Securities.....	7,200,000	8,000,000	8,300,000	8,700,000
Merchandise Inventories	32,200,000	26,600,000	26,700,000	17,000,000
Merchandise on Order.....	17,700,000	11,400,000	11,900,000	5,300,000
Accounts Receivable	29,800,000	25,100,000	25,600,000	12,600,000
Current Assets	69,200,000	59,700,000	60,600,000	38,300,000
Net Working Capital.....	38,800,000	35,200,000	32,300,000	22,100,000
Fixed Assets	47,500,000	41,900,000	41,300,000	57,800,000
Expenditures for Plant and Equipment.....	8,500,000	3,200,000	5,100,000	2,300,000
Depreciation	2,800,000	2,600,000	2,200,000	2,400,000
Current Liabilities	30,400,000	24,500,000	28,300,000	16,200,000
Funded Debt	0	0	0	25,700,000
Term Bank Loan.....	6,000,000	0	0	0
Amount Paid in for Capital Stock.....	41,000,000	41,000,000	41,000,000	42,000,000
Net Income Retained for Use in the Business..	38,500,000	31,900,000	27,800,000	11,800,000
Number of Shareholders.....	14,896	15,575	16,083	11,236

M A R S H A L L F I E L D & C O M P A N Y

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

*To the Shareholders of
Marshall Field & Company:*

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1950 and the related statements of income, net income retained for use in the business and reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1949.

In our opinion, the accompanying balance sheet and statements of income, net income retained for use in the business and reserves present fairly the financial position of Marshall Field & Company as of December 31, 1950 and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

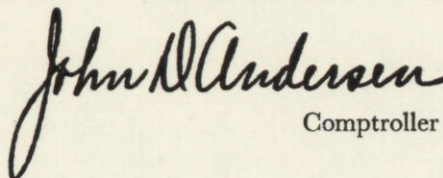
ARTHUR ANDERSEN & CO.

*Chicago, Illinois,
February 12, 1951.*

*To the Shareholders of
Marshall Field & Company:*

The financial statements contained in this report are correct, to my best knowledge and belief.

March 14, 1951.


Comptroller

INCOME STATEMENT
For the Years Ended December 31, 1950 and 1949

	1950	1949
NET SALES	<u>\$222,899,346</u>	<u>\$207,803,405</u>
DEDUCT:		
Materials and services purchased from others.....	\$139,920,913	\$134,533,459
Wages, salaries and employe benefit costs.....	60,770,455	55,748,404
Provision for depreciation and amortization.....	2,777,976	2,573,458
Taxes, other than social security and Federal income taxes.....	2,228,074	2,435,538
Federal income taxes (including, in 1950, \$130,000 for excess profits taxes; see note)	7,337,000	4,754,767
Increase or (decrease) in reserve for possible future decline in market value of inventories	2,293,183	(900,000)
	<u>\$215,327,601</u>	<u>\$199,145,626</u>
NET INCOME FOR THE YEAR.....	<u>\$ 7,571,745</u>	<u>\$ 8,657,779</u>

Note:

The Company's excess profits tax base for 1950 is estimated at \$16,700,000. The exact amount of the base is not determinable at this time.

BALANCE SHEETS—DEC

ASSETS		1950	1949
		<u> </u>	<u> </u>
CURRENT ASSETS:			
Cash		\$ 7,182,872	\$ 7,967,639
Receivables from customers and others, less reserves		29,782,828	25,108,704
Merchandise inventories, priced at the lower of cost or market, less reserve for possible future decline in market value of inventories (\$6,000,000 in 1950; \$3,706,817 in 1949)		32,196,895	26,594,118
TOTAL CURRENT ASSETS		<u>\$ 69,162,595</u>	<u>\$ 59,670,461</u>
PREPAID INSURANCE, SUPPLY INVENTORIES, ETC.		<u>\$ 1,906,056</u>	<u>\$ 2,224,151</u>
FIXED ASSETS:			
Land, leaseholds, buildings and equipment, at cost		\$ 72,736,826	\$ 65,358,132
Less—Reserves for depreciation and amortization		25,190,144	23,467,687
NET FIXED ASSETS		<u>\$ 47,546,682</u>	<u>\$ 41,890,445</u>
GOODWILL, TRADEMARKS, ETC.		\$ 1	\$ 1
		<u><u>\$118,615,334</u></u>	<u><u>\$103,785,058</u></u>

DECEMBER 31, 1950 AND 1949

LIABILITIES

	1950	1949
CURRENT LIABILITIES:		
Accounts payable.....	\$ 10,257,464	\$ 9,194,949
Accrued Federal income taxes.....	10,475,830	7,607,532
Other accrued liabilities.....	9,669,118	7,706,609
TOTAL CURRENT LIABILITIES.....	\$ 30,402,412	\$ 24,509,090
 TERM BANK LOAN MATURING AUGUST 1, 1953, with option to convert to serial maturities extending from February 1, 1954 to August 1, 1958.....	 \$ 6,000,000	 \$ —
 RESERVES:		
For possible future decline in market value of inventories, etc. (portion provided in years prior to 1945).....	\$ —	\$ 3,493,183
For net past service cost of Pension Plan.....	2,731,854	2,841,619
	\$ 2,731,854	\$ 6,334,802
 CAPITAL STOCK:		
Cumulative Preferred Shares—		
Authorized 300,000 shares of \$100 par value, issuable in series—4¼% Series; redeemable at premiums per share of \$6.50 through March 31, 1955, and \$4.00 thereafter; issued and outstanding 150,000 shares..	\$ 15,000,000	\$ 15,000,000
Common Shares—		
Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employees without first offering such shares to the shareholders (see note); issued and outstanding 1,943,763 shares at stated value.....	16,818,815	16,818,815
 AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE.....	 9,207,179	 9,207,179
 NET INCOME RETAINED FOR USE IN THE BUSINESS (\$6,000,000 not available for dividends on Common Shares as long as Cumulative Preferred Shares are outstanding).....	 38,455,074	 31,915,172
	\$ 79,481,068	\$ 72,941,166
	\$118,615,334	\$103,785,058

Note:

On December 15, 1950 the Company entered into restricted stock option agreements providing that an aggregate of 53,800 Common Shares out of the 180,000 shares referred to above, may be purchased by 33 of its officers and executives at \$29.00 per share which represented approximately 95 per cent of the highest market price on that date. Each such officer or executive may purchase on or after December 31, 1952 one-fifth of the shares allocated to him and another fifth on or after each December 31 from 1953 to 1956 inclusive.

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NET INCOME RETAINED FOR USE IN THE BUSINESS

BALANCE AT DECEMBER 31, 1949.....		\$31,915,172
Net income for the year.....		7,571,745
Transfer of portion of reserve for possible future decline in market value of inventories, etc., provided in years prior to 1945.....		3,493,183
		<u>\$42,980,100</u>
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series.....	\$ 637,500	
Common Shares (\$2.00 per share).....	3,887,526	4,525,026
		<u> </u>
BALANCE AT DECEMBER 31, 1950.....		<u><u>\$38,455,074</u></u>

RESERVE FOR POSSIBLE FUTURE DECLINE IN MARKET VALUE OF INVENTORIES, ETC.

BALANCE AT DECEMBER 31, 1949.....	\$ 7,200,000
Transfer to net income retained for use in the business of that portion of the reserve provided in years prior to 1945.....	3,493,183
	<u>\$ 3,706,817</u>
Increase in reserve provided out of 1950 income.....	2,293,183
	<u> </u>
BALANCE AT DECEMBER 31, 1950.....	<u><u>\$ 6,000,000</u></u>

RESERVE FOR NET PAST SERVICE COST OF PENSION PLAN

BALANCE AT DECEMBER 31, 1949.....	\$ 2,841,619
Amount of past service cost paid or accrued in 1950 (\$256,000), less reduction in Federal income tax (\$146,235) resulting therefrom.....	109,765
	<u> </u>
BALANCE AT DECEMBER 31, 1950.....	<u><u>\$ 2,731,854</u></u>

